

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JULY 2, 2003

PRESENT: Chairman Anthony Maiola and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Michael Goclowski, Law Warehouses

EXCUSED: Commissioner John Byrne

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

Craig reminded those present that the week ending June 30, 2003 was an eight-day week. The SA1000 report shows retail sales were up about 19.3%, on-premise sales were up 12.8%, off-premise sales were up 21.1%, and total aggregate sales were up almost 18.5%. The traffic count increased by 2,193, as did the average sales ticket by \$.80.

The W-1 Total Weekly Sales report for the same time period indicates total sales for the week were up 18.48% or \$1,294,333, and were also up for the year by 5.93% or \$19,399,206. (The prior year increase for 2002 was 7%.) Wine sales increased by 15.5% or \$455,124 for the week, while they increased 8.95% or \$13,140,569 for the year. (Last year's increase was 10.3%.) Sales of spirits were up 20.6% for the week. The year-to-date increase was 3.47%, which was down from FY 2002 at 6.43%.

B. Budget Reports:

There was nothing of real significance to report regarding this past week's depletions and post-offs report. A check was finally received from a broker who has had an outstanding balance for several months. Another broker has not paid for service charges for May which are currently under dispute. Their account will continue to accrue interest until such time as the matter is resolved.

Craig said he was very pleased with the results of the new gift card program, and hoped the trends would continue.

Regarding union business, an agreement has been reached whereby Liquor Commission employees will receive the proper training in exchange for rescinding other demands. Once the contract is signed, the Commission is obligated to provide this training no later than 120 days thereafter.

The O'Neil Griffin Bodi advertising contract was approved by Governor and Council with no questions asked.

The W-6 Expense Budget Activity Variance Report for the week ending 6/30/03 shows that all expenses have taken place at 100%. George said the budget is in good shape, and that there was enough money to pay for each account as required. \$54,000 still remains in Class 50 monies, and there are still some IT monies remaining as well. Store Operations had a good budgetary year. Utilities have also been paid for. Bills will still be paid for a month or so out of "old" year monies. The Commission will be kept informed of any problems which may come up.

Craig said he is still awaiting guidance from Administrative Services regarding the continuing resolution. We have been given about ¼ of the budget which is actually from FY04. Craig asked the bureau chiefs to work with their staff to identify large expenditures, particularly those controlled by contracts. If there is not enough money, the Governor will be informed by the Commission of these contractual obligations. Chairman Maiola asked if there would be enough funds for the air conditioning system in Store #73 Hampton. George will meet with Tom Smith and John Bunnell to work out priorities.

2. IT Report

Howard reported that year-end activities went fairly smoothly. There were a few occurrences which will be corrected next year which had to do mainly with trying not to have in-transit. After discussion with Accounting Department personnel, George said he will discuss with the auditors the necessity of having in-transit at the end of the year.

No action can be taken at this time on the disaster recovery hardware, which represents about \$70,000 worth of merchandise, because the new budget hasn't been passed.

Concerning the document he distributed concerning licensee ranking for FY03, Howard explained that each page represents a different type of licensee and is based on last year's purchases.

The OIT bill, which creates an office of one CIO, has not been signed, but will become law without signature. The CIO has to create an IT plan restructuring plan and submit it to Fiscal Committee. However, he will be starting first with the larger agencies; therefore, the Commission will probably not see any changes in the foreseeable future.

So far, there have been 100 applications for the vacant position of Director of Information Technology. Interviews for this position will begin next week.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 6/30/03 (an eight-day week) were up by 18.93% or \$1,087,836.41. There were ten stores with variances which were over \$300,000. Stores #2 Chesterfield, #73 and #76 Hampton and #11 Dover have all exceeded \$1,000,000. If the Power Ball jackpot rolls over, stores will have to deal with increased ticket sales for the next week. Vermont is now selling Power Ball, which may alleviate some of the sales in New Hampshire.

In response to inquiry from Commissioner Russell, Peter said the handicapped cart has been placed in several locations, but has had little use. Commissioner Russell will speak to Peter further about moving this equipment to Store #1 in Concord to try it out.

One area of concern is that Enforcement will be unable to completely cover store security on July 4th and 5th. A solution to this problem will be pursued. Commissioner Russell mentioned that the 50th anniversary celebration of the Hell's Angels is coming up. This will be discussed further at the bureau chiefs meeting this afternoon.

2. Purchasing Report – None given.

3. Merchandising Report

A. SPIRITS:

1) Labor Day Sale:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve forty-eight (48) spirit items to be featured on sale during the Labor Day Sale, scheduled to begin Thursday, August 21 through Monday, September 1, 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Test Market Products:

a) Test Market Request (Pinnacle Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/ White Rock Distilleries for a new test market listing for Pinnacle Vodka 80 proof, 1.75L size (assigned four-digit Code #3512), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b) Test Market Request (Villa Massa Crema Di Limoni):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Laird and Company for a new test market listing for Villa Massa Crema Di Limoni, 750ML size (assigned four-digit Code #5264), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c) Test Market Requests (Artic Vodka & Thai Fruits):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from United Beverages, Inc./Laird and Company for new test market listings for Artic Vodka and Thai Fruits, 750ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d) Test Market Result (Code #2310):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant specialty status to Code #2310, Bruichladdich 10-Year Single Malt Scotch, 750ML size, as this item did not achieve the gross profit required for full distribution at the end of a six-month test market period, but did achieve the gross profit required for specialty listings, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e) Test Market Results (Code #765 and Code #3778):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant specialty status to Code #765, Van Gogh Dutch Chocolate Vodka, 750ML size, as this item did not achieve the gross profit required for full distribution at the end of a six-month test market period, but did achieve the gross profit required for specialty listings, and also grant specialty status to Code #3778, Grey Goose Le Citron Vodka, 1.75L size as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Line Extension Requests:

- a) Leroux Polish Blackberry Brandy, 1.75L:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a line extension for Leroux Polish Blackberry Brandy, 1.75L size (assigned four-digit Code #4806), as this brand in the 750ML size has achieved the gross profit required for an additional size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b) Tarantula Citrus Tequila, 375ML:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a line extension for Tarantula Citrus Tequila, 375ML size (assigned four-digit Code #3863), as this brand in the 750ML size has achieved the gross profit required for an additional size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Recommended Price Reduction – Delisted Products:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve reductions in retail price for ten (10) spirit items which were previously delisted by the Commission, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) One Time Buys:

- a. UV Blue Raspberry Vodka, 1.75L:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny an offer from Martignetti Companies of N.H./Philips Beverage Company of a one-time buy on UV Blue Raspberry Vodka, 1.75L size, with a 2-liter size lemonade, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Three Olives Raspberry, Cherry & Vanilla, 50ML:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/White Rock Distilleries of a one-time buy on Three Olives Raspberry, 50ML size (assigned Code #3762), Three Olives Cherry, 50ML size (assigned Code #3763) and Three Olives Vanilla, 50ML size (assigned Code #3764), as

recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) July/August Sweepstakes (Martignetti Companies of N.H.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve sweepstakes offers submitted by Martignetti Companies of N.H. to promote the following three (3) 1.75L size spirit items: Code #1634, The Famous Grouse (July 2003); Code #4437, Mount Gay Rum (August 2003), and Code #3489, Tangueray Gin (July/August 2003), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) August Special Offers:

a. 1 item – M.S. Walker, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from M.S. Walker, Inc., based upon depletions of one (1) spirit item, to be featured on sale during August 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 105 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of one hundred and five (105) spirit items, to be featured on sale during August 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 2 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve additional special offers, without matching funds, from United Beverages, Inc., based upon depletions of two (2) spirit items, to be featured on sale during August 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 118 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and eighteen (118) spirit items, to be featured

on sale during August 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) September Special Offers: 41 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers, without matching funds, from United Beverages, Inc., based upon depletions of forty-one (41) spirit items, to be featured on sale during September 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 9) Sale Results:

- a. Memorial Day Sale: good results.
- b. Father's Day Sale: results not as good as anticipated.

B. WINES:

- 1) French Wine Sale:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the placement of all French wines on sale from Monday, October 27 through Sunday, November 30, 2003 at 10% off on the purchase of 6 to 8 bottles, 15% off on the purchase of 9 to 11 bottles and 20% off on the purchase of 12 or more bottles, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Special Offers for August 2003:

- a. 2 items – Perfecta Wine Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of two (2) wine items, to be featured on sale during August 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 1 item – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Pine State Trading Company, based upon depletions of one (1) wine item, to be featured on sale during August 2003, as recommended by Nicole Horton, Wine Marketing

Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 1 item – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Martignetti Companies of N.H., based upon depletions of one (1) wine item, to be featured on sale during August 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 134 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred and thirty-four (134) wine items, to be featured on sale during August 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 47 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of forty-seven (47) wine items, to be featured on sale during August 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 60 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of sixty (60) wine items, to be featured on sale during August 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 144 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and forty-four (44) wine items, to be featured on sale during August 2003, as recommended by Nicole Horton, Wine

Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for Labor Day 2003 (6 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from four brokers, based upon depletions of six (6) wine items, to be featured on sale during the Labor Day Sale (Thursday, August 21 through Monday, September 1, 2003), as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) David Frost Wines:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the placement of eight (8) David Frost wine items on close-out sale, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Wine Specialty Products (9 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve nine (9) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Allocated & Restricted Wines for Distribution to Selected Stores (9 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the distribution of nine (9) allocated and restricted wine codes to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Primary Source Submissions:

a. 8 items – primary source:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of eight (8) wine codes which are from primary source, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 13 items – exclusive agent; 15 items – imported:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of thirteen (13) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and the listing of fifteen (15) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) Wine Clearance Outlet Area (tabled from 6/18/03, Item #B-4):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that this item be removed from the table, and that the Commission approve the designation of a wine clearance outlet area in the back room warehouse area at Store #69, Nashua, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. In addition, it was moved by Commissioner Maiola, seconded by Commissioner Russell, that two additional areas, one at Store #15, Keene and Store #6, Portsmouth also be utilized for this purpose. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve previously reviewed requests for bailment releases/transfers dated June 19 through July 2, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items:

- a. August/September Special Offer:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Phoenix Marketing, based upon depletions of one (1) spirit item, to be featured on sale during August 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

/D. Hartford

